



Republican Policy Committee

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More Status Quo, More Spending, More Running from Reform **Clinton's Latest Budget Offers More of the Same**

The good news is that President Clinton finally decided to keep his word and deliver a CBO-scored budget that balances in seven years. The bad news is... well, everything else. In contrast to the Majority in Congress' latest proposal that has gone more than half the way to reach a common ground, Clinton's budget takes a step backward, even while he claims to be negotiating in good faith.

President Clinton has chosen the most big-spending-big-taxing-no-reforming budget he could find to put his name on, which relies on a series of gimmicks to paper over the fact that he has really made no change to the status quo. Despite apparent similarities, the contrast could not be more stark between the Congress' and Clinton's budgets: one is a budget that really eliminates the deficit by reforming its root cause — a Washington government that is too big and spends too much — and the other a budget that relies on a lick and a promise while leaving the cause of the deficit undisturbed.

To understand who truly has been working to balance the budget, it is necessary to compare who has moved toward compromise on the means, while remaining focused on the goal of balance. Hands down, Congress wins this contest.

- ▶ ***It is difficult for many veteran observers to believe that this President truly wants a balanced budget.*** It took him three years to come up with one, and this year alone, he offered four unbalanced budgets before he came up with one to pass CBO muster. Meanwhile, the American people had to endure two partial government shutdowns in the process.
- ▶ ***President Clinton is hiding the truth about his budget — that it's neither realistic nor workable — behind its CBO certification label of balance.*** After four budgets that didn't come within \$100 billion of ever balancing, Clinton's decision to finally keep his word and produce one that ostensibly does balance only allows the two proposals to appear similar on paper.
- ▶ This is President Clinton's ***first real offer*** in the budget debate. Rather than being the culmination, his latest budget is really just the beginning of an effort to attempt to come to a meaningful agreement on how to balance the budget.

- ▶ Clinton's latest budget "talks the talk" of eliminating the deficit, but it doesn't "walk the walk" because it *refuses to make any reforms in how we spend*. In fact, Clinton's budget takes a walk on the issue of fundamental reform by failing to address the deficit's underlying cause — mandatory spending. As a result "deficit elimination" is transformed into "deficit hibernation" under the Clinton approach, with the unreformed government reverting to its old faults.
- ▶ While President Clinton may have balanced a budget on paper for the first time since arriving in Washington, it *still threatens to be short of balance in many real ways*. For instance, Clinton would leave the spending and deficit status quo virtually in place until after 2000 — when he would have to leave office — and then to get to balance, steep cuts would have to be instituted in the next two years.

The Latest Offers By the Numbers

January 6 Budget Proposals (7-year totals in billions of \$'s)			
	DEFICIT REDUCTION		
	Clinton	Congress	Difference
Discretionary Accounts:			
Freeze	258	258	---
Additional	37	91	54
<i>Subtotal</i>	295	349	54
Mandatory Accounts:			
Medicare	102	168	66
Medicaid	52	85	33
Welfare	39	60	21
EIC	2	15	13
Other	69	69	---
<i>Subtotal</i>	264	397	133
Revenues	-24	-177	-153
CPI Assumption	17	17	---
Debt Service	57	60	3

[Source: Senate and House Budget Committees, using CBO numbers; revenues shown with a minus to indicate revenue loss]

Working to Reach an Agreement. . . Or Working to Avoid One?

After producing four budgets that did not balance, President Clinton finally agreed to make his first serious budget proposal — one that balances. Yet after finally making his first offer, he is treating it as though it were his last offer. In contrast, Congressional Republicans have produced several budgets — all of which balance in seven years according to CBO.

Moreover, Congress' most recent proposal represents overall compromise and bipartisanship:

- Congress' Medicare figure is supported by 47 House Democrats.
- Congress' Medicaid figure is supported by the House Democrat Coalition — the so-called "Blue Dogs."
- Congress' Welfare figure is the same one that passed 87-12 in the Senate.
- Congress' tax cut proposal is exactly half that originally proposed in the Contract With America.

Unequal Movement to the Middle

Even giving Clinton the benefit of using his fourth — unbalanced — budget as a base from which to begin, Congressional Republicans have still gone farther in attempting to reach an agreement with real numbers:

Changes in Major Proposals (7-year totals in billions of \$'s)

	Clinton-4 12/95	Clinton-Last 1/6/96	Movement Toward Congress
Discretionary	240	295	55
Mandatory:			
Medicare	97	102	5
Medicaid	38	52	14
Welfare	36	39	3
Revenues	-81	-24	-57

	House Budget 5/15/95	Congress 1/6/96	Movement Toward President
Discretionary	413	349	64
Mandatory:			
Medicare	288	168	120
Medicaid	187	85	102
Welfare	101	60	41
Revenues	-321	-177	144

[Source: Senate and House Budget Committees, using CBO numbers]

- ▶ In the five major budget areas of discretionary spending, combined with Medicare, Medicaid, Welfare, and taxes, **Clinton has moved just \$20 billion toward Congress while Congress has moved \$471 billion toward Clinton.**

- ▶ In fact in the area of revenues, Clinton has actually gone backwards in his negotiations.

— This despite the fact that on October 16, 1995, Clinton said that people "*think I raised their taxes too much. . . It might surprise you to know that I think I raised them too much too.*"

— Congress' net tax cut figure is far lower at \$177 billion over seven years than was the 1993 Clinton tax hike of \$250 billion over five years.

- ▶ Even in the area of overall deficit reduction, Clinton's gestures are overstated.

— According to CBO, Clinton's December budget's overall deficit reduction was \$385 billion and his January 6, 1996 budget was \$609 billion for an ostensible movement of \$227 billion.

— However, recalling that Clinton's December 15 budget also had over \$1 trillion worth of deficits over seven years and fell \$115 billion short of balance in 2002 — despite including CBO's economic dividend for achieving a balance that it did not actually accomplish — it's a small wonder that Clinton is able to claim to have made a move toward compromise.

- ▶ Even assuming that Clinton moved between two real balanced budget offers, he still moved less toward real compromise than has Congress.

According to CBO, the overall deficit reduction of the May 15, 1995 House Budget Resolution — Congress' first balanced budget legislation — was \$974 billion and Congress' January 6, 1996 budget was well over \$600 billion for a **real movement** toward the President of over \$300 billion.

Congress' real compromise figure is almost \$100 billion more (\$309 billion versus \$227 billion) than Clinton's.

Clinton's Refusal to Recognize the Need for Reform

There are plenty of gimmicks in the latest Clinton budget proposal — such as proposing how he will divide up an “economic dividend” that CBO does not even project. However, none is as egregious as his refusal to address the real problem: federal spending. Without making changes in how Washington spends, we can never solve the deficit dilemma. Ignoring this basic problem virtually assures that any deficit solution will be fleeting.

The driving force behind the deficit is mandatory spending and Washington's refusal to restrain its rate of growth. CBO's December budget estimate demonstrates this. Without policy changes, mandatory spending will increase 47 percent over the next seven years, while discretionary spending will increase only 13 percent. Skirting this issue, **Clinton's latest budget claims it can eliminate the deficit by focusing instead on discretionary spending.** This sheer gimmickry should not go unnoted by American taxpayers.

Comparison Between Mandatory and Discretionary Spending (7-year totals in billions of \$'s)

CBO Baseline of Mandatory vs. Discretionary Policy Spending

		Percentage Of Total Spending		Percentage of Total Spending	Percentage Growth: 96-02
	<u>1996</u>		<u>2002</u>		
Mandatory	881	61.5%	1,297	67.5%	47%
Discretionary	552	38.5%	624	32.5%	13%

CBO Estimate of Mandatory vs. Discretionary Savings

Clinton: Mandatory - 264; Discretionary - 295
Congress: Mandatory - 397; Discretionary - 349

[Clinton figures from CBO Jan. 6 estimate of President's budget; Congress figures from 12/95 analysis of Balanced Budget Act.]

- ▶ The bulk of Clinton's deficit reduction would take place in that part of the budget that is growing slower — discretionary spending.
- ▶ This ignores the real problem and the need for real reform.
- ▶ Meanwhile, virtually all of the Clinton Administration's new program priorities fall within the discretionary spending category.

Clinton's "The Check's in the Mail" Deficit Promise

If it weren't bad enough that Clinton's latest budget ignores the deficit's driving force, it comes very close to ignoring the deficit altogether. Instead, it dismisses today's problem by relying on some distant tomorrow to solve it: his budget promises only slight overall reduction in its first five years but a precipitous decline in spending its last two.

	Annual Deficit Reduction (7-year totals in billions of \$'s)						
	1996	1997	1998	1999	2000	2001	2002
Clinton	153	167	149	130	110	65	-1
Congress	151	159	127	97	73	34	-3

[Clinton figures from CBO 1/6 estimate of President's budget; Congress figures from 12/95 December analysis of Balanced Budget Act.]

- ▶ Clinton's budget would reduce the deficit by just **\$43 billion over its first five years.**
- ▶ Clinton's budget claims it will reduce the deficit by **\$110 billion over its last two years.**
- ▶ Clinton's budget would thereby *reduce the deficit by more in each of its last two years than it did in all of its first five.*

Clinton's First Step is a Misstep

Despite the fact that this president promised to balance the budget when he ran for president in 1992, that he promised in 1993 to use CBO as his estimator in his first State of the Union message, and that in November he pledged to balance the budget in seven years using CBO as the scorekeeper, President Clinton continues to act as if keeping his word is a sacrifice in budget negotiations. In contrast to Congressional Republicans' latest budget offer, Clinton's last budget:

- ▶ Demonstrates, by all the foot dragging, little interest in reaching a balanced budget.
- ▶ Constitutes only a first step to achieving a balanced budget.
- ▶ Shows little interest in reaching a real compromise, considering its relatively limited movement from even his past hyper-spending budgets.
- ▶ Only lets Washington keep more of taxpayers' money without changing Washington's ways.

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